AR23

Annual report 1972

London Life Insurance Company

Providing guaranteed financial benefits to more than two million Canadians, and investing across the nation on their behalf.

London Life

Robert H. Reid — in memoriam

1906 - 1972

Employees of London Life were saddened by the death of Robert H. Reid, vice-chairman of the board of directors, on November 9, 1972. At its November meeting, the board adopted a resolution of tribute, which read, in part, as follows:

Robert H. Reid gave firm and able leadership to the company throughout a period of phenomenal corporate growth.

Mr. Reid joined the investment department of the company in 1933, bringing with him a wealth of experience gained while serving in various capacities with the Toronto investment houses of Wood, Gundy & Co. Ltd. and Harrison & Co. Ltd.

He was appointed executive assistant in the investment department in 1936 and two years later he was named to the board of directors and the executive committee of the board. In 1941 he became managing director of the company. He was elected vice-president in 1953 and president in 1958 in addition to retaining the office of managing director. In 1970 Mr. Reid relinquished the duties of managing director, remaining president until November 1971 when he became vice-chairman of the board.

Under Mr. Reid's able leadership, London Life experienced outstanding growth. His strong characteristics were a keen mind and a capacity to handle a vast amount of work. His astute business judgment, his wide experience, and his extensive knowledge of the life insurance industry and most particularly of all phases of London Life's operations have been deeply appreciated and will be greatly missed.

Mr. Reid's judgment and foresight in financial affairs earned him recognition as a leader in Canadian business and industry. At the time of his death he was a director of Abitibi Paper Co. Ltd., Interprovincial Pipe Line Co., Lakehead Pipe Line Co., The Canada Trust Company, and the Huron & Erie Mortgage Corporation.

Further evidence of Mr. Reid's wide scope of interest and his concern for people is indicated by the number and variety of offices he held in local and national organizations. He was past president of the Dominion Mortgage & Investments Association, the Canadian Life Insurance Association, and the Canadian Health Insurance Association. He served two terms as chairman of the Heart Fund Campaign in London, and was a former director of the Canadian Cancer Society.

Mr. Reid gave long and devoted service to the University of Western Ontario. He was a former member of the board of governors of the university. In 1948 he played an important part in the establishment of the management training course at the university when he called together over 100 senior business executives to discuss the role of Western in business education. These discussions were influential in raising the business department at the university to the status of a school of business administration.

Mr. Reid will be very much missed by his closest associates and those who were privileged to know him intimately over the years.

Facts at a glance

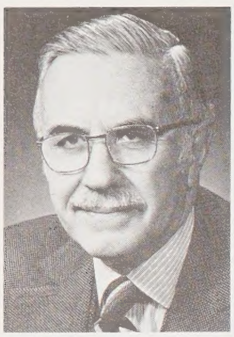
98th Annual Report of London Life Insurance Company
for the year ended December 31, 1972

	1972	1971	% Increase
New life insurance issued	**$ 1,622,371,593**	$ 1,405,055,884	15.5
Individual policies	**1,255,332,510**	1,101,536,963	14.0
Group policies	**367,039,083**	303,518,921	20.9
Life insurance in force	**$13,449,236,730**	$12,353,618,430	8.9
Individual policies	**10,138,816,714**	9,350,581,011	8.4
Group policies	**3,310,420,016**	3,003,037,419	10.2
Increase in insurance in force	**1,095,618,300**	936,349,936	17.0
Group pension premium income	**$ 16,480,767**	$ 14,605,155	12.8
Group health insurance premium income	**$ 27,561,693**	$ 24,825,601	11.0
Mortgage investments	**$ 1,263,085,572**	$ 1,205,792,279	4.8
Bonds, debentures, stocks	**414,999,713**	352,557,545	17.7
Loans on policies	**108,837,527**	105,825,994	2.8
Total assets	**$ 1,868,813,249**	$ 1,731,395,462	7.9
Net earnings on investments	**6.81%**	6.63%	—
Dividends paid to policyowners	**$ 45,187,303**	$ 42,415,943	6.5
Total benefits paid to policyowners, beneficiaries	**172,123,036**	162,512,130	5.9
Shareholders' net earnings	**$ 1,371,828**	$ 1,174,980	16.8
Earnings per share	**$2.74**	$2.35	16.6
Dividends per share — regular	**1.60**	1.40	14.3
— special	**2.38**	—	—

Contents

Directors

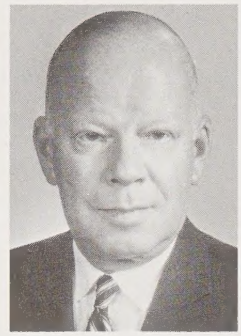
*Member of Executive Committee



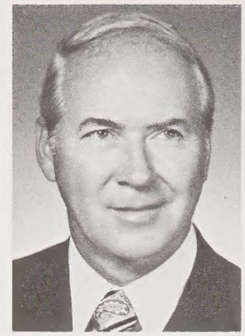
Joseph Jeffery, O.B.E., Q.C.*
Chairman of the Board

Alexander H. Jeffery, Q.C.*
President

M. C. Pryce
Executive Vice-President and General Manager

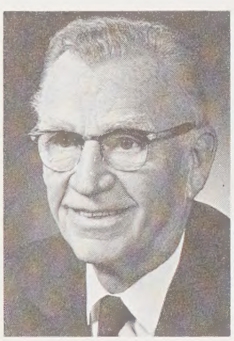


Albert W. Anderson
Director



Alex E. Barron
Chairman
Canadian Tire Corporation Limited

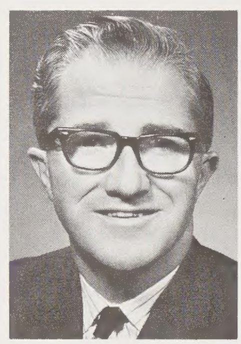
John B. Cronyn
Senior Vice-President
John Labatt Ltd.



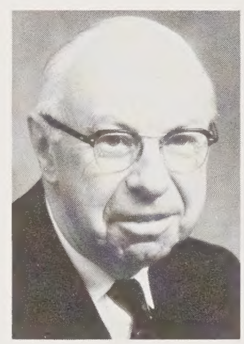
W. Bradley Granger*
Director

Gordon D. Jeffery
Partner
Jeffery and Jeffery

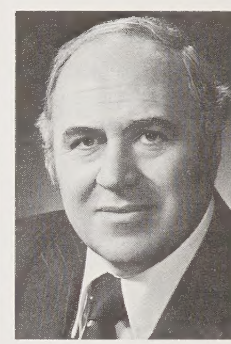
Allen T. Lambert
Chairman and Chief Executive Officer
The Toronto-Dominion Bank



Donald Smith
President
Ellis-Don Limited



J. Allyn Taylor*
Chairman and President
Canada Trust



John J. Wettlaufer
Dean,
School of Business Administration,
University of Western Ontario

Officers

Chairman of the Board	Joseph Jeffery, O.B.E., Q.C.
President	A. H. Jeffery, Q.C.
Executive Vice-President and General Manager	M. C. Pryce
Vice-President and Treasurer	G. L. Corneil
Vice-President and Executive Director of Marketing	R. W. Peters
Vice-President and Executive Secretary	W. L. Pollard
Vice-President, Group	T. E. Reid
Vice-President and Chief Actuary	D. S. Rudd
Secretary	H. M. Ballantyne

Report of Directors

Five years ago, Canada emerged from celebrating the Centennial of Confederation with buoyant enthusiasm. Within months, however, some of this enthusiasm seemed inappropriate. After all, the world monetary systems went awry, the escalation of an expensive, controversial war in Asia created difficulties throughout the world.

By 1971, however, concerted action began to be taken. And by all indications, the world is now emerging from the chaos which characterized the beginning of this decade. Many problems remain, but the time has arrived for renewing our enthusiasm in a realistic way. If false optimism was a hazard in 1968, false pessimism is a danger today.

It may well be that we are now at a turning point where we can determine the shape of our national destiny for many decades into the future. Before we can plan our future intelligently, however, we must comprehend clearly our place in the world, both where we are now, and where we can be.

We must ensure that Canadians derive the major benefits from the well-managed development of all our resources, including oil and gas, and that we obtain the best terms and best prices on any exports. In the high-stakes poker game we are playing, they are trump cards.

In the recent past, our exports have been helped by favorable trade pacts, such as the auto agreement with the U.S., which is now under discussion by the U.S. and Canadian governments. It now appears this agreement may be altered radically, if not cancelled unilaterally by the U. S.

In this atmosphere, every consideration should be given to establishing uniquely Canadian industries, founded on Canadian experience and expertise. In the past we have imported large volumes of capital, mostly from the U.S., and usually in the form of equity. In some instances, this has benefited Canada with greater management expertise and an entree into world markets if parent company policy is along those lines. On the other hand, imported share capital can result in lack of Canadian control and can restrict us to our home market if the parent company so decides.

Canada therefore needs diversity of both markets and capital sources. Quite clearly, opportunities abound. World trade negotiations will soon begin. Up to this point, we have been developing ever-closer ties with the U.S.; if this strategy is to change, we should have a clear idea of our goals. The entry of the United Kingdom into the European Economic Community will undoubtedly have detrimental effects for us in the short term; however, in the long range Britain can well give us an entree into the rest of the European Community. Then, too, as the Communist bloc diversifies and Japan retains her independence, we can expect to see many political and economic organizations coexisting in peace and prosperity, offering Canadians an even larger range of options. Great potential also exists in the Commonwealth group of nations, not only in commerce but also in world leadership.

The problems are ours. The solutions, also, should be ours. At this time, when we have the opportunity of choice, let us do as much as we can by and for ourselves, without asking special favors. But if we are to have the greatest possible freedom of choice on the international scene, we must face squarely the twin dangers at home of inflation and unemployment.

Canada's inflation has not been all that bad when compared with most other nations. However, for the past few years, price performance in the United States has been better than ours. Since the U.S. is our major market, and also a major competitor elsewhere, this seriously affects our exporting ability.

Inflation cannot be brought under control if government continues to increase spending faster than the economy can keep pace. From 1966 to 1971, the Canadian government's share of the Gross National Product increased from 31.9% to 37.6%. In 1972, it was closer to 40%.

Unemployment is, of course, one of the main problems currently causing increased government expenditures. Canada has the fastest growing labor force of any industrialized country. A reduction in unemployment will come only by creating jobs over and above the number of people who come on to the labor market. Indications are that 250,000 jobs were created in 1972. But the labor force grew by 275,000. And more than 600,000 Canadians are unemployed!

This is clearly unacceptable. Canada must create more jobs. Not make-work jobs, but jobs that are meaningful, jobs that people will be proud to take, jobs that offer a reasonable sense of accomplishment as well as a reasonable standard of living. These jobs must make economic sense, meet definite needs and wants on a world level, and stand up to the realities that confront us.

We expect Canada to grow, and we expect all Canadians to receive their share of benefits. Estimates indicate that our Gross National Product in 1972 was about $103 billion, up roughly 10½% over 1971. And this is not all inflation. In constant dollars, the increase was about 6% to 6½%.

Some economists and sociologists are talking about limits to growth in any form, but it is doubtful if their comments really apply to Canada. We were all disturbed by the recent Senate report on poverty that showed one in five Canadians was below the poverty line. These people must be helped. However, our already high tax rates seem to make further redistribution of income unlikely. Other than redistribution, growth appears to be the only solution.

Certainly the greatest growth in the foreseeable future will be in service industries. In fact, the basis of service, discovering and meeting genuine human wants and needs, can be expected to become the basis of all enterprise. This attitude is something we understand at London Life. It's been our watchword for almost a century.

Financial position

Again in 1972, the public response to London Life has been most gratifying, and the figures throughout this report testify to the company's ability to meet the needs and wants of Canadians. Moreover, the financial statement shows London Life remains in a sound financial position.

However, rising expense rates, the continuation in the rising costs of doing business, and the financial strain of placing substantial amounts of new business on the books, have combined to reduce somewhat the operating gain. After substantial non-recurring adjustments for prior years' taxes, company surplus increased by about $2.5 million. In addition, investment reserve funds were increased by $1 million, to a total of $32.3 million for the life and health branches combined.

Shareholders' earnings amounted to $2.74 per share, compared with $2.35 in 1971. Recent changes in the Income Tax Act permit Canadian corporations to pay a tax of 15% on all or part of their 1971 undistributed income, and distribute the net amount to shareholders as dividends free of immediate tax. On this basis, a special tax-paid dividend of $2.38 per share was distributed in 1972. This was in addition to the regular dividend of $1.60 per share paid during the year.

Board meets in Montreal

During October, the board held its first meeting in Montreal. Indeed, the event was only the second occasion in which the board ever met outside the company's home office in London, Ontario.

This was one way of expressing our appreciation to our policyowners, our borrowers, our staff and to the people of Quebec generally for their continuing confidence in London Life. Moreover, during their stay in Montreal, the directors had an opportunity to see at first hand some of Quebec's economic progress — progress in which London Life is proud to be a continuing partner.

Directors, officers

The directors record with regret the death during the year of Robert H. Reid, vice-chairman of the board. A tribute to Mr. Reid is included elsewhere in this report.

Early in 1973, M. C. Pryce was elected a shareholders' director. Mr. Pryce joined London Life in 1936, became vice-president and general manager in 1970, and was appointed executive vice-president and general manager in 1972.

Orville Eadie, personnel executive, retired during the year and Dr. F. S. Kennedy, staff health physician, retired at year end. The board wishes to record its appreciation for the valuable services rendered by these men over the years. Three administrative officers were appointed during the year: Dr. N. J. England, staff health physician; W. A. McCoy, personnel executive; and I. R. Taylor, director of product development.

The directors express their appreciation to all members of the London Life staff for their contribution in 1972. The high level of their service to the public is certainly a key factor in the company's success.

Joseph Jeffery

Chairman of the Board

Alexander H Jeffery

President

Report of Executive Vice-President and General Manager

M. C. Pryce

In many ways, 1972 was an exceptional year in the history of London Life.

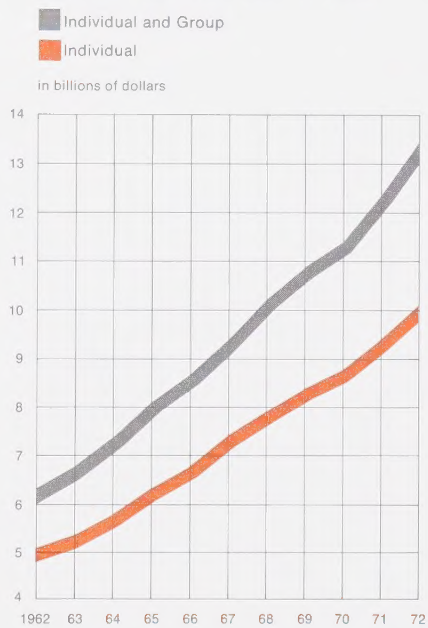
Sales of our life insurance plans, both individual and group, rose to record levels. Clients continued to favor our health and pension plans. Moreover, investments undertaken on behalf of policyowners grew significantly, and earnings rose to still higher levels during the year.

During 1972, London Life became the first company to provide Canadians with $13 billion of life insurance protection. The latest $1 billion of insurance in force was added in just 11 months, the shortest time span in the company's history. By comparison, the previous $1 billion in force took 16 months to achieve. At year end, insurance in force amounted to well over $13.4 billion. This means that even though London Life is only one of more than 150 life insurance companies operating in Canada, we are able to account for almost 10% of all coverage.

In this era of steadily rising costs, the company undertook additional measures in 1972 to hold the line on expenses. Part of the answer lies in streamlining our operations and further increasing our efficiency, so that expenses will be in better relationship to rises in premium income.

We are highly conscious of the need to keep abreast of changing market conditions. With this in mind, new products are constantly under consideration. Moreover, we are formulating specific plans for overall growth of the company for the next five to ten years, in order that we can take best advantage of the opportunities ahead.

Growth of Life Insurance in Force



As well as plans for the continuous development of the life insurance market in Canada, London Life is reviewing possibilities for further broadening its operations. We are seeking to so plan our expansion that we will make the most effective use of all our resources, both human and financial.

Higher incomes, higher standards of living, rising population in the 20 to 39 age group — these factors, plus a determination to achieve our full share of market opportunities, lead us to believe London Life is on the verge of one of its greatest growth periods in history.

Dramatic increases in sales

Sales of individual life insurance policies amounted to more than $1.2 billion, a new high and an increase of 14% over the previous year. Cash surrenders and other terminations were down significantly. As a result, the gain of individual insurance in force totalled $788 million, up 38% over 1971. During the year, we became the first company to provide Canadians with $10 billion of individual life insurance protection. At year end, the amount of this protection rose to well over $10.1 billion, about 14% of all such coverage in Canada.

As well as dramatic increases in the amount of insurance sold, we made significant improvement in the kind of plans sold and the type of markets penetrated. For example, endowment sales continued to rise, in line with the trend of the previous two years. Moreover, figures indicate we are making further progress in the young adult market.

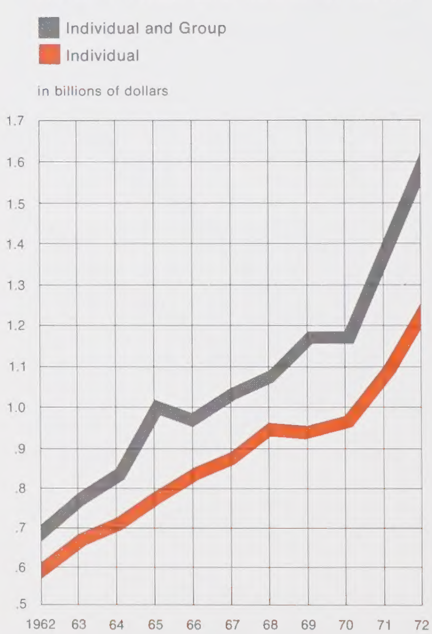
During the past year more than 35% of all our individual life insurance sales were on the lives of present policyowners. This, surely, is a measure of our success in meeting the needs of customers.

Most buyers continue to show a strong preference for our conventional policies with their full guarantees. However, equity policies, introduced in mid-1970, accounted for just over 7% of the amount of individual basic life insurance sold during the past year. Our plans combine permanent life insurance with investment in stocks and other equities, and London Life is still one of the few companies offering coverage of this nature. Sales are independent of stock market fluctuations, indicating the policies are bought primarily for life insurance protection. At year end, the number of equity policies in force rose to almost 16,500, representing $234 million in basic life insurance coverage; this compares with 11,300 policies and $155 million in protection at the end of 1971. Equity Fund B, the segregated investment fund for these policies, rose from $11.26 to $13.68 per unit, a gain of 21% for the year.

Policies can be paid for by various methods, but the Automatic Bank Cheque plan continues to gain popularity. Under ABC, a policyowner authorizes London Life to withdraw the premiums automatically each month from his bank account. Because of the increased popularity of ABC in recent years, a new system was introduced in 1972 to provide for faster and more efficient processing. In the past year, about 60,000 of the policies sold, representing almost 57% of all individual plans sold, were on ABC; this compares with 49% of policies sold in the previous year. At the end of 1972, a total of 533,000 policies used the ABC method of paying premiums.

Sales of annual premium and single premium individual annuities rose to almost $6.5 million of annual payment, more than doubling from $2.8 million in 1971. The public is increasingly aware of the value of guaranteed income of this nature. Some of the increase is also accounted for by the new higher limits for tax-deductible contributions to registered retirement savings plans. At the beginning of 1972, the maximum limits were increased to $4,000 for tax-payers who are not members of a registered group pension plan, and to a total of $2,500 for employees who belong to a group plan; these limits were previously $2,500 and $1,500, respectively. Moreover, as a result of the new forward averaging tax provisions, we introduced income-averaging annuities during the year.

Growth of New Life Insurance Issued



Group sales rise

Group life insurance sales surpassed $367 million, a record amount and an increase of 21% over 1971. At year end, we were providing Canadians with a total of more than $3.3 billion of group life insurance, a rise of 10% for the year.

The new Incomeguard group plan, introduced in late 1970, continued to gain popularity. Payments are made to the widow for a specified number of years, instead of in a single lump sum. Since this product is designed to provide income to meet family needs, a growing enthusiasm is evident among the sales organization, as well as employers and employees. The plan has the advantage of providing maximum income when it is most needed, and London Life is one of the few companies providing such protection. During 1972, sales amounted to more than $38 million, an increase of $11 million.

Health plans grow

Premiums in force at year end totalled about $29.2 million, up $3.5 million. Employees of almost 3,900 organizations were insured under our health plans. Increasing incomes in existing groups, together with natural growth and the addition of new groups, are expected to lead to further gains.

Healthguard Drug and Medical plans, introduced in the past couple of years to supplement the government plans, accounted for almost $3.2 million in premiums. This represents an increase of 16% for the year. The Healthguard plans are easy for employers and employees to understand, and easy for London Life to administer. A computer system is used to process the vast majority of claims.

Dental insurance is a high-growth area, and London Life is still one of the few companies providing such protection. Premiums in force at year end totalled almost $2.3 million, an increase of about

30%, and 541 groups were provided with coverage. The company's pioneering efforts in this field have been justified by the fact that, according to surveys, London Life provides far more coverage than any other private insurer in Canada. Continuing gains are foreseen, as the plans are highly popular, both with dentists and the general public.

Disability insurance accounts for more than half the total premiums of the health branch. At year end, premiums from Weekly Indemnity and Long Term Disability amounted to $15.9 million, an increase of 20%. Long Term Disability, in particular, is growing strongly; some large municipalities were added during the past year and more such opportunities are expected in the near future. Underwriting regulations for both types of coverage were liberalized in 1972, permitting larger amounts of benefit under taxable plans.

Until a few years ago, the health branch was providing a small profit. However, by 1969, several factors led to an unprofitable operation, in particular the loss of premium income as the provinces introduced medical plans, and the extraordinary expenses associated with this move. In addition, claims payments were much higher than in our previous experience, and there were some continuing costs involved in the transfer of various procedures to computerization.

The company has a long-standing commitment to offer both clients and potential clients a full range of services and plans. Nevertheless, we believe that all areas of our operations should function at a reasonable level of profitability, and every facet of our health branch is undergoing careful scrutiny.

With this in mind, many rate adjustments were introduced late in 1971 and some further adjustments were carried out during the past year. These should contribute to more positive results in future years, and indications to date are that our operations are moving in the right direction.

In addition, the use of the computer is proving to be a major factor in helping us hold down costs as a percentage of income and expenditure. Premium income has been rising substantially in the past couple of years, and further gains are foreseen for 1973. In effect, we can serve more clients with the same staff, and also achieve economies as offered by modern data processing methods.

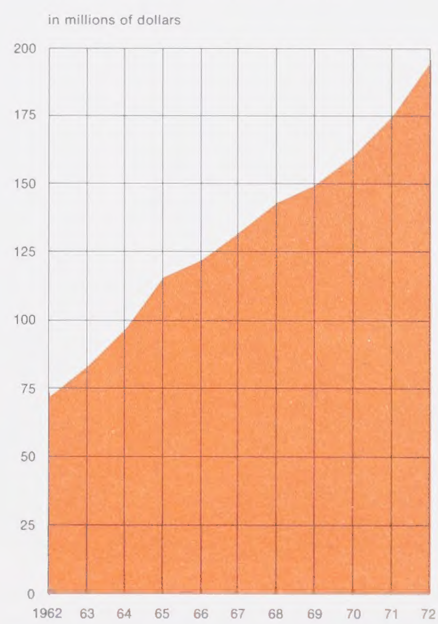
Group pension plans

Fully guaranteed group annuities continue to attract the bulk of our pension business. During the year, 126 group annuities were sold covering 1,381 employees, compared with 80 groups and 723 employees in 1971. Reserves for group annuities amounted to more than $171 million, an increase of over $11 million. The raising of the annual tax deductible limits for contributions to registered pension plans, from $1,500 to $2,500 beginning in 1972, is expected to further stimulate the sale of group pensions in future years.

Of the three pooled investment funds available to employers under our Group Investment Contracts, the mortgage fund continues to show the greatest growth, increasing 75% to $9.8 million during the year. A notable feature is that all these mortgages involve long-term loans on residential properties to corporate borrowers and cannot be repaid in advance or refunded even if general interest rates decline. London Life's network of mortgage offices across the nation, together with contacts with builders and expertise in this field, make us uniquely qualified to manage this type of fund.

Assets of the other two pooled investment funds, the fixed income fund and the equity fund, grew to a total of $8.2 million, up from $6.6 million. The equity fund showed particularly good growth and its unit value rose almost 23% to $24.28 at year end. Because of fluctuations which can be expected to occur with equity investments, however, this is not necessarily any indication of future performance.

Reserves for Group Pensions



When investment funds were introduced in 1961, fees were set at minimum levels. However, experience showed that very low charges were not a significant competitive advantage. Moreover,

London Life invests across Canada on behalf of the company's more than two million policyowners. At the end of 1972, these investments were valued at close to $1.9 billion. Of this amount, almost $1.3 billion helps finance vitally needed homes and apartment units. Much of the balance helps build roads, schools, office buildings and other private and public enterprises. In the course of these investments, jobs are created, industries expand to meet the needs of markets, and Canadians at large, as well as policyowners, benefit from the activities of London Life.

recent studies indicated our charges did not fully cover actual expenses. The structure of investment management fees was therefore adjusted upwards at the beginning of 1972. In addition, the other charges, for acquisition and administration, were raised in January, 1973. At the same time, revisions were undertaken to streamline the products and further develop their marketability. While the overall effect is a substantial increase in total charges, our fees are still competitive with the industry. Increased sales are anticipated not only from the funding of pension plans, but also from the funding of deferred profit sharing plans for which our investment funds now qualify.

A new method is in the initial installation stages to provide quicker, more efficient service to the company's 1,400 group pension clients, as well as faster information to potential clients. This system will use the latest computer capabilities to handle many of the services and much of the paperwork now involved in the administration of pension plans.

Greater public awareness

During the year London Life continued its sponsorship of the highly successful television specials in "The Human Journey" series. Reaction from both press and public was so favorable that copies of the films were lent to schools, universities, associations and other groups across the nation. In addition, brochures based on the shows have been distributed on request to tens of thousands of viewers.

Two programs from the series, "Lifestyle" and "The Job," captured gold and silver awards in 1972 from the Atlanta International Film Festival. A third program, "Where We Live," received a bronze medal at the New York Film and Television Festival.

Public awareness of London Life has been developed successfully through the years by our field force, and has been further improved in the past two years by "The Human Journey" series. Continuing research indicates the programs are particularly effective, not only in developing general awareness, but also in communicating information about our services and about the nature of our investments in Canada.

A new French-language series of hour-long television specials was launched in the autumn. The series, "Quatre Visages" (Four Faces), presents popular Canadian vocalists not only on stage but also behind the scenes, discussing their lives, outlooks and ambitions.

Assets reach new high

Total assets of the life and health branches reached a new high of close to $1.9 billion.

The increase for the year, $137 million, compares with gains of $103 million in 1971, less than $82 million in 1970, and only $62 million in 1969. Several factors held back the growth of assets in the earlier years. A period of "tight money" led in the life branch to a high level of policy cancellations and lapses in 1969 and 1970, together with heavy withdrawals of accumulated dividends and funds on deposit. Moreover, during 1969 the company began paying the new corporate income taxes, and policyowners became subject to

personal income tax on the gain on surrender of their policies. In addition, the introduction of provincial medicare plans led to an initial decrease in assets of the health branch. However, present trends are highly favorable, and we expect continuing strong growth in 1973.

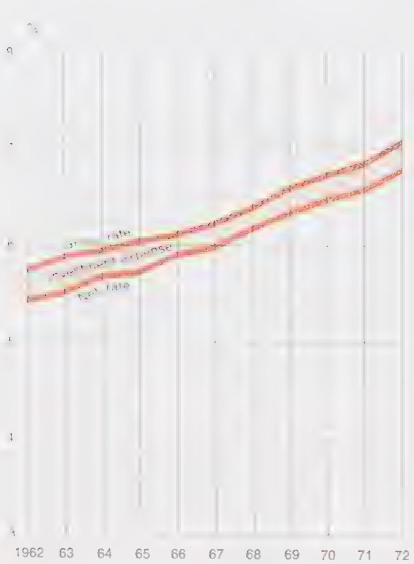
During 1969 the average gross rate on total new investments exceeded 8% for the first time in more than half a century. In the past four years we invested some $570 million at an average rate of 8¼%, an exceptionally high level by historical standards. We expect 1973 will be particularly active, with interest rates continuing to exceed 8% and with new cash investments amounting to approximately $260 million, or

about $1 million per working day — the highest level in the history of London Life.

For many years London Life, in investing policyowners' funds, has followed a consistent policy of ensuring that the quality of all investments is of the highest level. The book value of our bond holdings at year end amounted to $395 million, yet none were in default on either principal or interest, either in 1972 or at any time in well over 25 years. The mortgage portfolio amounted to close to $1.3 billion, yet of the 58,000 mortgage accounts only 95 at year end had interest in arrears by three months or more, and we do not anticipate any material loss of either principal or interest. It is gratifying to note that the net rate earned on this high grade portfolio is one of the highest in the Canadian life insurance industry.

In the regular life funds of the company — and excluding the segregated funds discussed elsewhere in this report — the net interest rate earned during 1972 after investment expenses rose to 6.81% from 6.63%. Barring a new period of tight money, or a severe decline in general interest rates in the economy as a whole, we look for a further improvement in our net interest rate earned during 1973.

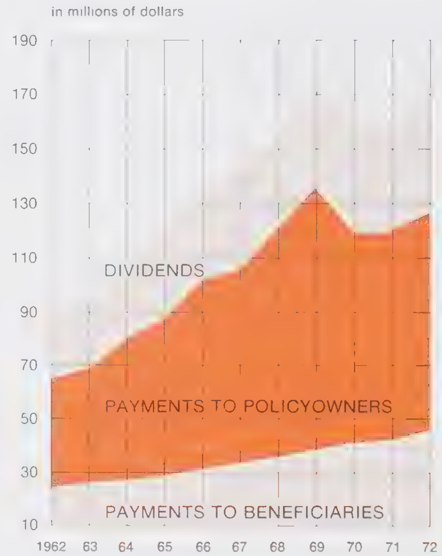
Interest Rates Earned



Benefits total $172 million

Benefits paid to policyowners and beneficiaries totalled $172 million, an all time high and an increase of about $10 million over the previous year.

Benefits Paid to Policyowners and Beneficiaries



Dividends paid to owners of participating policies amounted to more than $45 million, up $3 million over 1971. Higher earnings on investments have helped us maintain the same dividend scale as in 1968, despite the effects of rising expenses, the imposition of taxes and inflation, and despite the fact that many companies have had to lower their dividend scales in recent years. Moreover, beginning in 1973, a higher dividend scale has been established for all registered policies, in recognition of special tax exemptions granted by the Income Tax Act. For non-registered policies, the dividend scale will continue unchanged for 1973.

Favorable trends were evident in surrenders, loans and deposits. Despite the greater number of policies in force, the amount of cash surrenders declined during the year to $27 million, compared with $28 million in 1971. At the same time, policy loans increased by only $3 million, compared with $4 million in 1971, and $15 million in 1970. Funds on deposit increased by $17 million, to a total of nearly $225 million.

Death payments amounted to almost $42 million, a rise of $4 million over 1971. Mortality during the year was about the same for individual policies, but somewhat higher for group. In all age groups combined, heart diseases and tumors continued to account for more than half the total deaths. However, in the age group 30 to 39 years, motor vehicle accidents accounted for almost 22% of death claims, compared with 14% in 1971.

Out of each dollar of income received by London Life during 1972, a total of 78 cents was paid to, or set aside for, policyowners and beneficiaries. Of this amount more than 46 cents was paid out during the year, and another 32 cents was invested to provide future benefits. Of the remaining amount, operating expenses required less than 20 cents, taxes almost two cents, and about one-third of a cent was paid or set aside for shareholders of the company.

Executive Vice-President and General Manager

Financial benefits in action

Our policyowners speak

Montreal sportscaster Dick Irvin has good pension and group benefits at work, but he likes to feel independent.

"My London Life program will give me a guaranteed income, whatever I do in the future.

"Over the years I've had a lot of good advice from my London Life representative. And he's the kind of person who bothered to know me personally, my family and my job. I know he would look after things should anything happen to me.

"I'm thankful now that when I was single I took out more insurance than many people do. The cash value and dividends have now built into a sizable nest egg. When you take this into consideration I can't think of a better way to save than my London Life program."

The Dominion Road Machinery Company has a comprehensive group insurance and pension program with London Life.

"We ask our people to give their best and I think we have a responsibility to give them security, the best available," says Bruce Sully, president.

"We've been with London Life since 1945. In the years since then we have gradually expanded our benefits.

"We're not insurance specialists and we have to have people who are. We find it's worked very well with London Life. They give good service and they seem anxious to do what's right by everybody."

When Tom Hughes and David MacKay began their potato brokerage operations more than ten years ago, their personal London Life policies were used to help secure a loan from the bank.

"Right from the start we took out partnership insurance because we both felt responsible for each other's family.

"Originally our insurance was for protection but now we're shooting for retirement. That's why we've been converting some of our term policies to permanent insurance. We each put the maximum amount into a registered retirement savings plan and deduct it from our taxable income.

"Our London Life man meets with us several times a year to discuss our program. As our business has grown over the years he's helped us make certain we have the right kind and right amount of insurance."

Our human resources

Success of a life insurance company may be measured by many standards. The yardsticks may include sales, insurance in force, product innovations, improved service for customers, earnings on investments. But no matter what the yardstick, success can come only through human resources. People must gather and evaluate facts, exercise judgment, and carry out decisions.

We recognize, therefore, that the key to the strength of our company is the wide variety of talents, skills and abilities, the knowledge and experience, of our people. In this connection, we are pleased to report that staff turnover in 1972 continued at its lowest levels in many years. Moreover, the record levels of sales and productivity established during the year were accomplished without any overall increase in staff.

We are working to create an atmosphere in which we can make the fullest use of all our human resources. Our goal is an environment in which trust, respect for the individual, two-way communication, and mutual decision-making are ways of life.

As one step in an overall program to help make London Life a better place in which to work, we launched at the end of 1971 an attitude survey among all home and regional office employees. In the survey, opinions were asked on such subjects as working conditions, job satisfaction, supervision, salaries and other factors. Results of the survey were made available to employees in 1972. Discussion meetings held during the year resulted in the implementation of many changes.

Another step at the end of 1971 involved the creation of a new channel for communication between employees and management. The response has proven the effectiveness of the program in its first year of operation, and enabled a number of problems to be resolved that might not otherwise have been brought to the attention of management.

In another development in mutual problem solving, an opinion poll was taken during the year on working hours. As a result, adjustments were made in hours of work and vacation schedules.

Much has been undertaken in the areas of job enrichment and job enlargement, and more will be accomplished in the months ahead. A new series of management development courses, launched during the year, is one step in this direction. Moreover, some departments are being reorganized to improve communications between various areas, and to open up new opportunities for employees. More attention is being given to the performance of the individual, so he can best achieve his full capacities for growth.

Reorganization of the regional office administration continued in 1972. Broad new roles were assigned to regional office administrators as well as other supervisory personnel. This reorganization was designed to streamline communication within the regional office structure, and to enable these offices to provide higher standards of service to both company personnel and the public.

Our ultimate objective in all activities is to constantly improve the standard of service and to thereby enhance our position of leadership in the industry.

Balance sheet

The life and health insurance branches are combined in these financial statements.

ASSETS	At December 31 1972	1971
The Company has the following assets to meet its obligations to policyowners:		
Bonds and debentures *Valued at amortized cost less write-downs.*	**$ 395,058,977**	$ 334,746,849
Stocks *Valued at cost less write-downs.*	**19,940,736**	17,810,696
First mortgages and sale agreements *Amount of loans outstanding.*	**1,263,085,572**	1,205,792,279
Income-producing real estate *Properties owned and leased on a long-term basis are shown at cost less amortization of $4,200,923.*	**5,735,746**	4,830,744
Real estate — head office premises *Properties are shown at cost less accumulated depreciation of $7,177,467.*	**16,081,146**	16,067,007
—foreclosures of mortgages	**75,280**	40,989
Loans on policies *These loans are fully secured by the cash value of the policies on which the respective loans are made.*	**108,837,527**	105,825,994
Cash on hand and in banks	**6,205,837**	7,808,856
Segregated investment funds *For group pensions and individual equity contracts, valued at market.*	**23,093,111**	14,804,776
Electronic data processing equipment *Equipment is valued at cost less accumulated depreciation of $4,052,532.*	**1,025,134**	1,954,583
Premiums in course of collection *Secured by policy reserves.*	**7,950,432**	6,461,663
Interest and dividends accrued *This sum represents accruals on investments. No credit is taken for interest overdue and unpaid.*	**15,132,706**	12,373,947
Miscellaneous assets *This includes accumulated income taxes recoverable of $5,414,759.*	**6,591,045**	2,877,079
Total assets	**$1,868,813,249**	$1,731,395,462

Auditor's Report to the Policyowners, Shareholders and Directors of London Life Insurance Company:

We have examined the balance sheet of the London Life Insurance Company at December 31, 1972 and the summary of operations, the statement of surplus, and the shareholders' account for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances; the reserves and other liabilities under policy contracts were determined and certified by the Company's Chief Actuary.

Bonds and stocks are shown in the balance sheet at values which are in the aggregate less than the values permitted by the Canadian and British Insurance Companies Act

LIABILITIES	At December 31 1972	1971
The liabilities which the Company has assumed are:		
Policy reserves	**$1,300,147,199**	$1,201,077,943
This amount with future premiums and interest earnings provides for the payment of benefits promised on all policies in force including policies in the segregated investment funds.		
Other obligations to policyowners	**302,527,014**	278,049,043
This amount is made up as follows: *$195,273,919, dividends due and left by policyowners to accumulate* *22,128,908, the proceeds of policies left on deposit for policyowners and beneficiaries* *45,611,289, provision for dividends to policyowners payable in 1973* *32,236,230, for claims where proof is incomplete and for claims which may have occurred but which have not yet been reported* *7,276,668, advance premiums paid by policyowners.*		
Staff pension and insurance funds	**101,918,072**	91,208,116
This item represents the reserve maintained for benefits under group insurance and pension plans for Company employees.		
Taxes, commissions, and other accounts due and accrued	**6,756,674**	5,398,893
This includes premium taxes of $1,272,014 payable in 1973.		
Investment reserve fund	**32,300,000**	31,300,000
In addition to the surplus, the Company's ability to meet its obligations is safeguarded by this investment reserve fund.		
Miscellaneous liabilities	**16,102,926**	16,994,296
	$1,759,751,885	$1,624,028,291
Capital and shareholders' account	**3,293,675**	4,121,847
Included is $1,000,000 of paid-up capital stock.		
Surplus	**105,767,689**	103,245,324
This provides additional security for policyowners and their beneficiaries and includes $2,522,365 added in 1972.		
Total liabilities, capital and surplus	**$1,868,813,249**	$1,731,395,462

In our opinion based on our examination and the certificate of the Chief Actuary, the accompanying balance sheet, and the related summary of operations, the statement of surplus and the shareholders' account present fairly the financial position of the Company as at December 31, 1972 and the results of its operations for the year then ended in accordance with accounting practices prescribed or permitted by the Department of Insurance of Canada

CLARKSON GORDON & CO., *Chartered Accountants*

London Canada, February 2, 1973

Summary of operations

Year ended December 31, 1972
with comparative figures for 1971

	1972		1971	
INCOME				
Premiums and annuity considerations	**$248,655,949**		$224,267,782	
Less dividends to policyowners	**45,187,303**	**$203,468,646**	42,415,943	$181,851,839
Earnings from investments	**126,121,896**		114,836,764	
Less investment expenses	**7,434,281**	**118,687,615**	6,425,564	108,411,200
Total		**$322,156,261**		$290,263,039
DISTRIBUTION				
For policyowners and beneficiaries —				
Death benefits	**$ 41,695,930**		$ 37,913,700	
Disability benefits	**1,071,814**		967,320	
Annuity benefits	**17,551,827**		15,988,503	
Health insurance benefits	**20,193,576**		18,572,872	
Matured endowments, cash surrender values and interest on policy or contract funds	**46,422,586**		46,653,792	
Addition to policy reserves to provide for future payments	**113,735,211**		89,813,340	
For operating expenses —				
New insurance and field service to policyowners	**39,709,656**		35,442,267	
Service to policyowners at head and regional offices	**32,948,204**		29,532,226	
Corporate income taxes	**3,429,213**		6,599,555	
Premium tax and other taxes	**3,903,359**		3,661,149	
Contributions to education and public health and welfare	**322,601**		330,138	
Total		**$320,983,977**		$285,474,862
Gain from operations		**$ 1,172,284**		$ 4,788,177

Actuary's Certificate

The total policy reserves shown in the balance sheet at December 31, 1972, are in excess of those required by the provisions of the Canadian and British Insurance Companies Act, and, in my opinion, make good and sufficient provision for all unmatured obligations of the Company guaranteed under the terms of its policies

D S RUDD F S A F C I A
Vice-President and Chief Actuary
February 2, 1973

Statement of surplus

Year ended December 31, 1972
with comparative figures for 1971

	1972		1971	
Income				
Gain from operations	$1,172,284		$4,788,177	
Adjustment of prior years' corporate income taxes	3,721,909	$ 4,894,193	—	$ 4,788,177
Less:				
Addition to investment reserve fund	1,000,000		1,000,000	
Shareholders' net earnings	1,371,828	2,371,828	1,174,980	2,174,980
Increase in surplus		$ 2,522,365		$ 2,613,197
Surplus at beginning of year		103,245,324		100,632,127
Surplus at end of year		$105,767,689		$103,245,324

Shareholders' account

Year ended December 31, 1972
with comparative figures for 1971

	1972		1971	
Income				
Profits	$1,237,318		$1,045,159	
Earnings from investments	134,510	$1,371,828	129,821	$ 1,174,980
Less:				
Regular dividends	$ 800,000		$ 700,000	
Special dividend	1,190,000		—	
Income tax related to special dividend	210,000	2,200,000	—	700,000
Increase (Decrease) in shareholders' account		($ 828,172)		$ 474,980
Shareholders' account at beginning of year		3,121,847		2,646,867
Shareholders' account at end of year		$2,293,675		$ 3,121,847
Net earnings per share		$2.74		$2.35
Regular dividends paid per share		1.60		1.40
Special dividend paid per share		2.38		—

The shareholders' portion of the divisible profits in participating branch is limited to 2½% by the Canadian and British Insurance Companies Act.

The revised Income Tax Act permits Canadian corporations to elect to pay a tax of 15% on all or any part of their 1971 undistributed income on hand and distribute the rest to shareholders as a special dividend that is free of immediate tax.

Summary of capital, investment reserve and surplus

at December 31
(in thousands of dollars)

	1972	1971	1970
Life and health insurance branches			
Investment reserve fund	**$ 32,300**	$ 31,300	$ 30,300
Surplus	**105,768**	103,245	100,632
Total	**$ 138,068**	$ 134,545	$ 130,932
Shareholders' account			
Capital stock	**$ 1,000**	$ 1,000	$ 1,000
Surplus	**2,294**	3,122	2,647
Total	**$ 3,294**	$ 4,122	$ 3,647
Total capital, investment reserve and surplus	**$ 141,362**	$ 138,667	$ 134,579

Ten years of growth

(in thousands of dollars)

	1972	1971	1970
New life insurance issued	**$ 1,622,372**	$ 1,405,056	$ 1,193,396
Individual policies	**1,255,333**	1,101,537	986,761
Group policies	**367,039**	303,519	206,635
Total life insurance in force	**$13,449,237**	$12,353,618	$11,417,268
Individual policies	**10,138,817**	9,350,581	8,780,956
Group policies	**3,310,420**	3,003,037	2,636,312
Total assets	**$ 1,868,813**	$ 1,731,395	$ 1,628,857
Net earnings on investments	**6.81%**	6.63%	6.52%
Premium and annuity income	**$ 248,656**	$ 224,268	$ 207,953
Dividends paid or credited to policyowners	**$ 45,187**	$ 42,416	$ 39,465
Total benefits paid to policyowners and survivors	**$ 172,123**	$ 162,512	$ 160,263
Net earnings per share (based on 500,000 shares)*	**$ 2.74**	$ 2.35	$ 2.22
Dividends per share* (1972 — regular dividend $1.60, special dividend $2.38)	**$ 3.98**	$ 1.40	$ 1.20
Number of shareholders at end of year	**605**	627	623

*Commencing in 1969 the total earnings of the Company were subject to corporate income tax in accordance with new taxation regulations, therefore the amount transferred to the shareholders' account was not subject to additional tax. Previously, income tax was levied only on the earnings in the shareholders' account.

For the years prior to 1966 the net earnings and dividends paid per share have been adjusted to reflect the five-for-one subdivision of shares during 1966.

1969	1968	1967	1966	1965	1964	1963
$ 29,300	$ 27,400	$ 25,500	$ 23,500	$ 21,500	$ 20,500	$ 20,500
96,581	92,827	85,063	77,262	69,693	63,754	57,264
$ 125,881	$ 120,227	$ 110,563	$ 100,762	$ 91,193	$ 84,254	$ 77,764
$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
2,136	1,608	1,523	1,461	1,416	1,356	1,281
$ 3,136	$ 2,608	$ 2,523	$ 2,461	$ 2,416	$ 2,356	$ 2,281
$ 129,017	$ 122,835	$ 113,086	$ 103,223	$ 93,609	$ 86,610	$ 80,045

1969	1968	1967	1966	1965	1964	1963
$ 1,184,220	$ 1,093,467	$1,052,522	$ 994,592	$1,027,642	$ 855,548	$ 792,374
959,815	967,622	894,834	848,987	793,408	727,612	672,240
224,405	125,845	157,688	145,605	234,234	127,936	120,134
$10,820,297	$10,181,437	$9,443,271	$8,696,738	$8,043,786	$7,328,972	$6,756,797
8,369,438	7,948,408	7,405,714	6,884,407	6,382,748	5,891,101	5,468,041
2,450,859	2,233,029	2,037,557	1,812,331	1,661,038	1,437,871	1,288,756
$ 1,546,439	$ 1,484,929	$1,388,904	$1,295,085	$1,205,726	$1,112,170	$1,025,863
6.37%	6.18%	6.01%	5.93%	5.75%	5.72%	5.54%
$ 208,131	$ 202,048	$ 189,968	$ 179,877	$ 175,371	$ 155,696	$ 144,579
$ 36,858	$ 36,259	$ 34,931	$ 32,080	$ 29,622	$ 27,225	$ 26,030
$ 171,910	$ 153,802	$ 141,599	$ 134,586	$ 117,572	$ 106,256	$ 94,899
$ 2.06	$ 1.11	$ 1.00	$ .93	$ .92	$ .89	$ .87
$ 1.00	$ .94	$ .88	$ .84	$ .80	$ .74	$ .74
582	579	615	631	523	448	440

Administrative officers

Actuarial

L. B. Fewster
Senior Actuary

C. A. Naylor
Senior Actuary

J. C. McKibbon
Actuary

R. G. Mepham
Actuary

Administration, Regional Offices

L. H. McConnell
Administration Executive, Regional Offices

R. L. Low
Associate Administration Executive, Regional Offices

Claims

E. W. Kennedy
Claims Executive

Communication Services

J. B. Chick
Communication Services Executive

Comptroller

J. C. A. Macdonald
Comptroller

Group Insurance

A. M. Bayly
Group Insurance Actuary

Group Pension

G. G. Cameron
Group Pension Actuary

Information Systems

W. H. Thomson
Information Systems Executive

Insurance Services

G. A. MacLachlan
Insurance Services Executive

Marketing

Administration

D. A. Smith
Director of Administration, Marketing

I. R. Taylor
Director of Product Development

District Sales Division

G. S. Woolsey
Director of Marketing

C. F. Byron
Associate Director of Marketing

D. E. Creighton
Assistant Director of Marketing

C. G. Chenier
Resident Marketing Executive (Montreal)

W. H. Gleed
Resident Marketing Executive (Toronto)

General Sales Division

D. K. Shales
Director of Marketing

J. A. Fowler
Associate Director of Marketing

Medical

J. S. Winder, M.D.
Medical Director

J. B. Walker, M.D.
Associate Medical Director

Mortgage

J. A. Millman
Mortgage Executive

R. D. Abercromby
Associate Mortgage Executive

Personnel

W. A. McCoy
Personnel Executive

Securities

G. A. Gloin
Securities Executive

Staff Health

N. J. England, M. D.
Staff Health Physician

Underwriting and Issue

M. E. Comfort
Underwriting Executive

Regional offices

London Life maintains a network of more than 100 offices across the nation. These offices provide service for both individual and group coverage, and for the administration of London Life's extensive mortgage operations.

British Columbia

New Westminster
Vancouver (7 offices)
Victoria

Alberta

Calgary (5 offices)
Edmonton (3 offices)
Lethbridge
Medicine Hat

Saskatchewan

Moose Jaw
Regina
Saskatoon

Manitoba

Winnipeg (5 offices)

Ontario

Barrie
Belleville
Brampton (2 offices)
Brantford
Brockville
Chatham
Cornwall
Galt
Guelph
Hamilton (4 offices)
Kingston
Kirkland Lake
Kitchener
London (2 offices)
Niagara Falls
North Bay
Oakville
Orillia
Oshawa
Ottawa (4 offices)
Peterborough
St. Catharines
St. Thomas
Sarnia
Sault Ste. Marie
Stratford
Sudbury
Thunder Bay
Timmins
Toronto (15 offices)
Welland
Windsor
Woodstock

Quebec

Montreal (18 offices)
Noranda
Sherbrooke
St. Hyacinthe
Val d'Or

New Brunswick

Moncton
Saint John

Nova Scotia

Dartmouth
Glace Bay
Halifax (2 offices)
Middleton
Sydney

London Life Insurance Company
Head Office|London Canada

London Life